Canadian General Electric

Annual Report 1978

Contents

The Cover

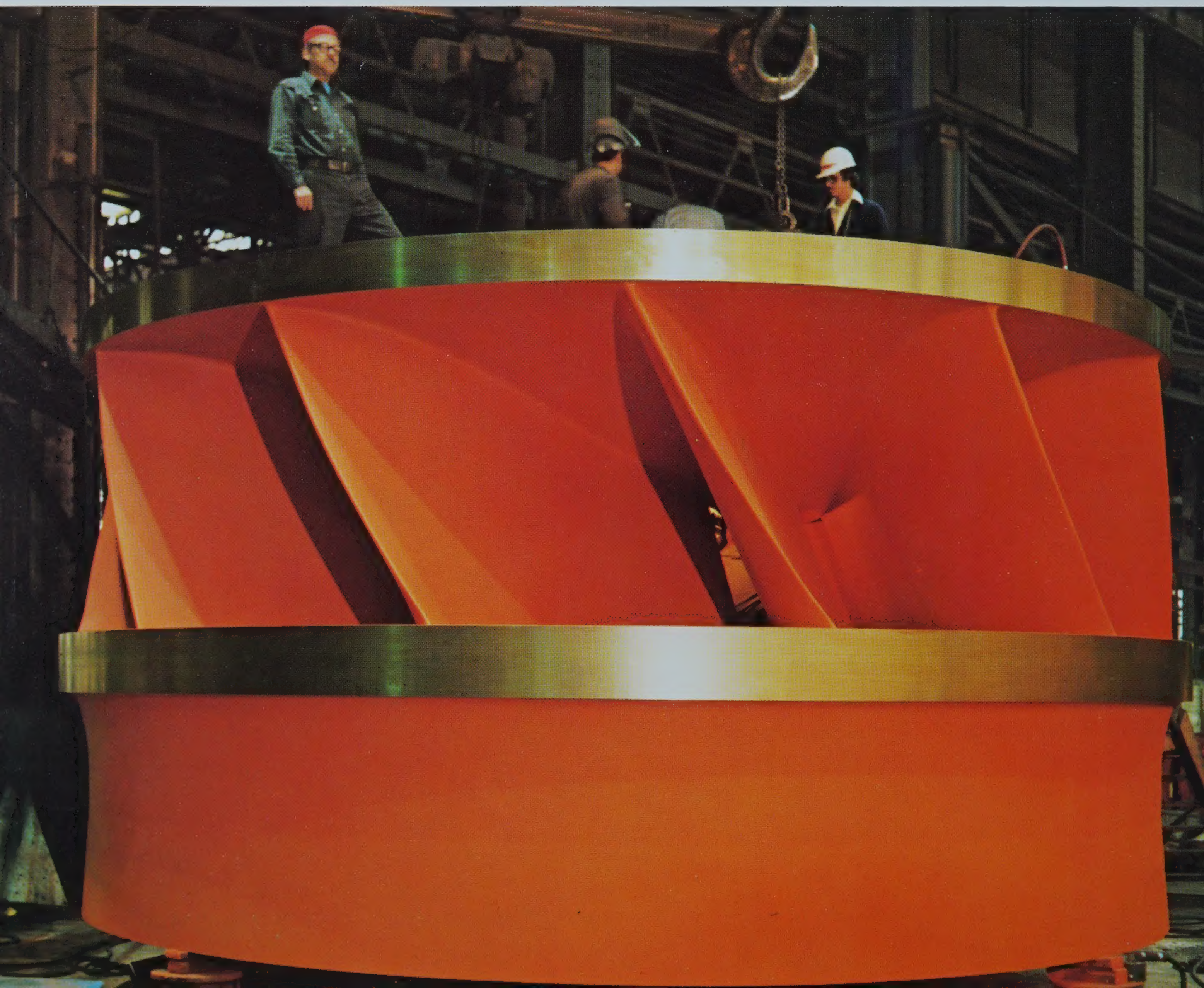
Illustrated is the first Francis turbine runner ready for shipment to the James Bay Energy Corporation. This runner has a weight of one hundred and twenty tons and a diameter of approximately nineteen feet. Designing and building runners like these for hydraulic turbines with capacities exceeding one million horsepower represent only part of the challenge. Shipping runners of this size, and larger, to various world countries presents quite a different challenge.

A side view of the same Francis turbine runner appears below.

Meeting Notice

The Annual General Meeting of Shareholders of Canadian General Electric Company Limited will be held in "Commerce Hall", Commerce Court West, (King & Bay Streets), Toronto, Canada, on the 19th day of April, 1979, commencing at 10 o'clock in the forenoon.

Pour un exemplaire de ce rapport en français, s.v.p. écrire au Secrétaire.



About the Company

Canadian General Electric manufactures a wide variety of electrical and mechanical products for domestic and international markets. These products range from miniature light bulbs and housewares to heavy electrical and mechanical equipment for application in the home, industry, electrical power production and natural resource development. In recent years, the Company has developed technical and distribution services to complement these products along with financing and other services to support Canadian industry.

Taking advantage of developments in science and technology, the Company has continued to expand its product offerings. Sales exceeded $1 billion in 1977 and 1978, more than twice the 1971 level for an average annual growth rate of 12.1%. Earnings per share have grown an average annual rate of 14.2%, from $1.62 in 1971 to $4.11 in 1978.

Approximately 90% of the Company's business is in the domestic market. However, with continuing emphasis on developing exports, sales to international markets, now in the order of $100 million per year, are an increasingly important part of the Company's business. Success in foreign markets is based, in part, on CGE's world-wide reputation for hydroelectric generators and turbines, power transmission equipment, custom motors, newsprint machines, rolling mill equipment and ore grinding mills. Supporting the Company and its affiliates in the market place is a dedicated work force of 19 000 skillful people.

Highlights of Operations

Canadian General Electric Company Limited and Consolidated Affiliates

Financial	1978	1977
Sales of products and services (millions):		
Domestic	$1 008.9	$ 969.2
Export	94.8	110.5
Total	1 103.7	1 079.7
Net earnings (millions)	33.6	30.5
Measurements		
Net earnings per share (dollars)	4.11	3.73
Dividends declared per common share (dollars)	1.60	1.55
Net earnings as a percentage of average shareholders' equity	10.2%	9.8%
Earnings as a percentage of sales	3.2%	2.9%
Statistical		
Average number of employees	18 662	18 823
Number of common shareholders at year-end	1 261	1 306
Sales by major category (millions)		
Apparatus and Heavy Machinery	$ 417.1	$ 450.0
Construction and Industry Supplies	315.5	265.1
Consumer Products	407.1	393.7
Corporate elimination and unallocated items	(36.0)	(29.1)
	$1 103.7	$1 079.7

Distribution of 1978 sales dollar				
	To suppliers	61.6%	Reinvestment	3.3%
	To employees	31.5%	Dividends	1.2%
	Taxes	2.4%		

Report to Shareholders

On behalf of the Board of Directors, I am pleased to present the annual report together with the Consolidated Financial Statements for 1978 and the Auditor's Report.

In a year characterized nationally by slow growth in the output of goods and services and low levels of investment, the Company's consolidated sales of products and services totalled $1.1 billion, 2% higher than 1977 but lower in terms of real output.

Net earnings for the year were $33.6 million or $4.11 per share, compared with $30.5 million or $3.73 a share in 1977 – an increase of 10%.

Export shipments, both direct and indirect, had a sales value of $94.8 million in 1978, representing a continuation of the emphasis being placed on export business in recent years.

New orders obtained amounted to $1.1 billion – a decline of 8% from 1977, mainly due to a lack of large domestic utility orders. The backlog of unfilled orders at year-end totalled $1 billion, the same level as at the previous year-end.

During 1978, the Company became a co-sponsor of the TV program "Hockey Night in Canada," thus providing an effective medium for the advertising messages of all operating components.

Sales of apparatus and heavy machinery products were slightly below the prior year's level. This decline was largely due to three factors – contract deferments, reductions and postponements in electric utility construction and continuing slack conditions in the Canadian mining industry. The negative impact of these factors was offset to a large degree by significant increases in export shipments of hydraulic turbines and by sales of small motors, meters, nuclear fuel and nuclear fuel handling equipment, along with volume increases in the service shops and the Apparatus Technical Service Section. Export orders for turbines, generators, custom motors, drive systems and transportation equipment were received from Pakistan, the Soviet Union, United States, Great Britain, Tanzania and Argentina.

Highlights of the year included the installation of the first North American-made hydroelectric generator in Western Europe, a 200 MVA unit at the Swedish State Power Board's Harspranget station. In Canada, work continued on the installation of units three to six at Manitoba Power Commission's Long Spruce Power Station. Hydro-Québec, reflecting its confidence in the 100 MVA static compensator installed at Rimouski, has ordered two more systems of 300 MVA each for the Neemiskan 765 KV substation in Northern Quebec to ensure the smooth and stable transmission of power from the James Bay power project to Montreal and other load centres.

Overall sales of construction and industrial products increased in 1978 by 19% mainly attributable to sales of specialized materials and specialty systems, electrical supply materials and aircraft engines. Margins on sales in the construction market continued to be weak with soft and very competitive market conditions. Export sales made an important contribution to the success of operations in these products with significant business from the United States, Saudi Arabia, Indonesia and other countries. Products included fibreglass reinforced epoxy (FRE) duct, dry-well fuse holders, moulded plastics, alkyd resins and electrical construction items.

The Company had a successful year with **sales of consumer products** as demand improved in the last half. Housewares sales were ahead of last year with significant contributions from food processors, smoke alarms, coffee makers and mature products such as irons and kettles. The new Weathertron® III heat pump produced record sales; and the export of lamps again established a record at $11 million, up $3 million from 1977.

The sales of Canadian Appliance Manufacturing Company Limited were marginally ahead of last year in a highly competitive, low growth market. Rationalization and consolidation programs have made significant contributions to profitability, and this affiliate is now positioned to respond to change in market conditions.

Capital expenditures in 1978 of $28.8 million were 14% higher than in 1977. A major portion of this investment was in equipment to increase productivity and improve cost competitiveness. Major expenditures included additions to the nuclear fuel facilities at Peterborough, sealed beam lamp manufacturing machinery at Oakville, Ontario, a large vertical boring mill for Dominion Engineering Works Limited at Lachine, Quebec and two 180-ton transformer core upen-

ders and a new shearline at Guelph, Ontario. Additional equity was invested in the Company's financing affiliate, Genelcan Limited, to support a growing portfolio.

The Company became a participant in Canadian resource development, when it entered a joint venture agreement covering a three-year program for the exploration and development of oil and gas deposits in Western Canada. The receipt of revenue from this program should commence in 1981.

Employment in 1978 leveled off about mid-year following a period of decline and by year-end total employment in the Company and its affiliates had risen slightly to 19 000.

The CGE employee benefits plan, already one of the best in the industry, was improved in 1978 with the introduction of family dental insurance and a program of income protection for long term disability. In December, 1978, the Company announced an increase of 10% in payments to pensioners who had retired prior to 1976.

Continued emphasis on safe and healthy working conditions was reflected in the development of special medical programs and the appointment of additional professional staff to assist employee occupational health and safety specialists at plant locations.

Throughout the Company, efforts were continued to increase the opportunities for employees to participate in work planning.

Representations to government officials and agencies were increased during 1978 in an effort to add support for the private sector and secondary manufacturing. We are encouraged by government policy and fiscal moves. The reduction in the federal sales tax to 9% and improvements in the treatment of Research and Development expenditures should result in increased investment in the longer term.

Because Canadian General Electric is a science based company, tax incentives for R & D expenditures are helpful to its ability to compete in both domestic and export markets. Maintenance of technological excellence in product design and manufacturing processes is important for mature as well as new products.

It is important to note that R & D costs generally constitute only approximately 10% of the total cost of successful and commercially viable innovation. Therefore, while support programs for R & D are important, the business climate and other factors affecting the other 90% of the required investment are critical to achieving the objective of a higher level of competitiveness for Canadian industry.

The outlook for 1979 remains clouded. Although economic activity is expected to remain at its present level in the early part, there are some concerns about the balance of the year. In the longer term, the probable result of the current multilateral trade negotiations will be a new challenge to Canada to be competitive in domestic and international markets.

During 1978, Edward E. Hood, Jr., an outstanding contributor to the Company, resigned as a director. Effective at the 1979 annual meeting, Maxwell C.G. Meighen, O.B.E., having reached the retirement age for directors, will leave the Board after thirteen years of distinguished service. The directors wish to express their appreciation to Messrs. Hood and Meighen for their valuable contributions to the Company. During the year three new Directors were welcomed to the Board – Dr. H. Ian Macdonald, Dr. Thomas A. Vanderslice and Dr. John F. Welch.

The Directors congratulate and thank all employees for achieving another successful year.

On behalf of the Board of Directors.

Alton Cartwright

Alton S. Cartwright
Chairman of the Board
and Chief Executive Officer.

Operations

Since 1882 when its two predecessor companies, the Edison Electric Light Company of Canada and Thomson and Houston Electric Light Company, were formed, Canadian General Electric Company Limited has been in the forefront of developments in the application of electrical technology to meet the increasingly diverse and complex needs of Canadians and their varied institutions. At the same time, the Company has developed export business with many countries in high technology products.

During ninety-six years of service to Canada, the Company has grown from a few employees and a small number of products to become a large, diversified manufacturer offering hundreds of different products and services based on modern technology.

These products and services, more than $1 billion worth, are produced and sold from twenty-three manufacturing plants in fifteen cities. Sales offices, warehouses and service centres represent the Company in fifty-two communities from Victoria, British Columbia in the west to St John's, Newfoundland in the east and as far north as Fort McMurray, Alberta.

The Company's operating components consist of two divisions – Apparatus and Heavy Machinery Division and the Consumer and Construction Products Division. Genelcan Limited is a wholly-owned affiliate which sells financial and leasing services. Canadian Appliance Manufacturing Company Limited is an affiliated company, formed through the the merger in 1977 of the major appliance operations of GSW Limited, CGE and Westinghouse Canada, in which CGE owns fifty percent of the voting stock and sixty percent of the total equity.

Sales in the Canadian market consititute 90% of the Company's business, and are comprised of products and services for the home, industry and farm, as well as natural resource development and the generation and transmission of electric power.

Export sales continue to be an important aspect of the Company's operations. Products sold in the international market range from small lamps and fibreglass reinforced epoxy (FRE) duct to large apparatus products such as power generation and transmission equipment, electric motors, control equipment and heavy mechanical equipment for natural resource and primary industries.

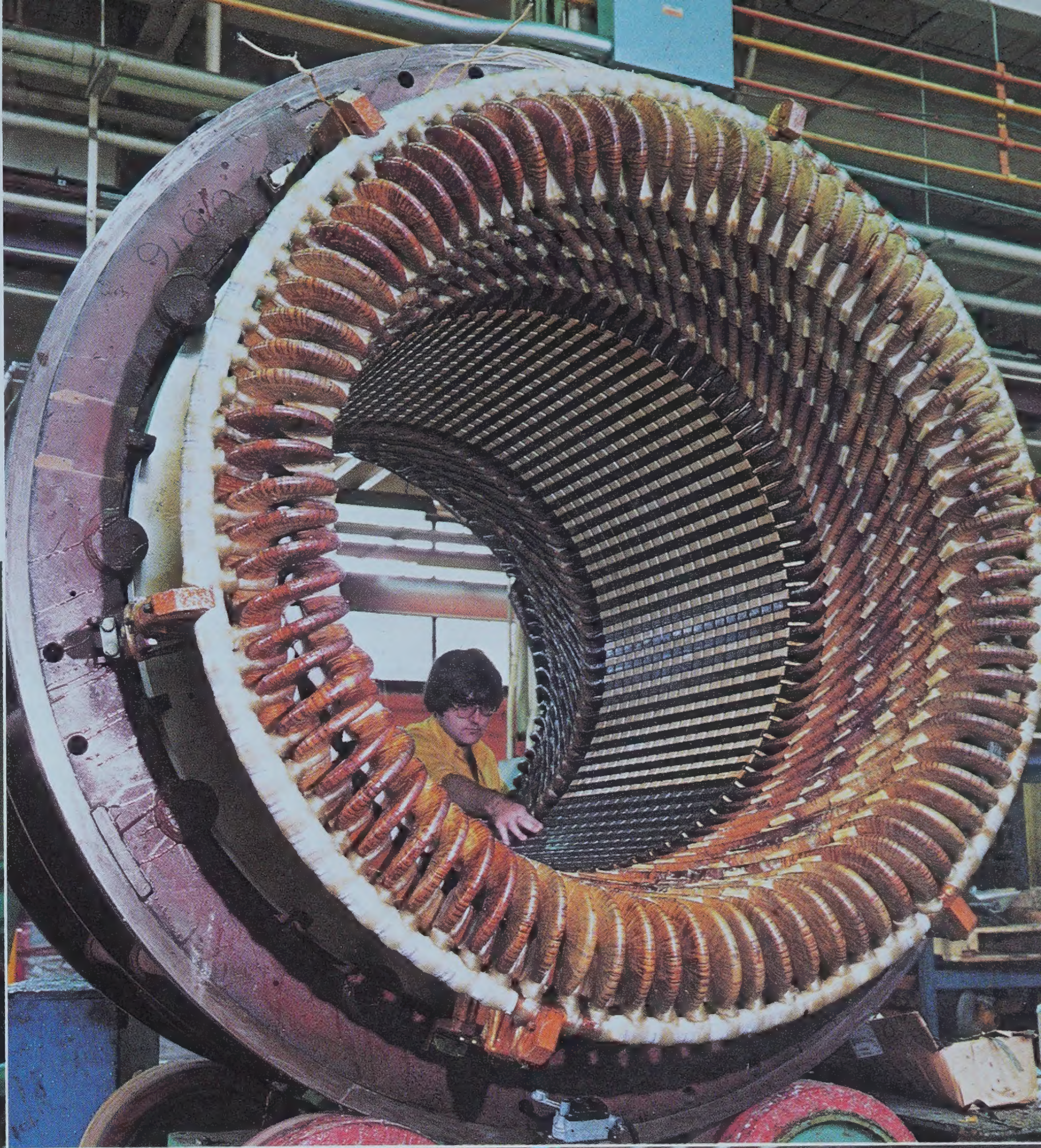
To detect hidden cracks in steel frames, one of the tests on motorized wheels for off-highway vehicles is this magnetic particle inspection at the new Calgary Service Shop.

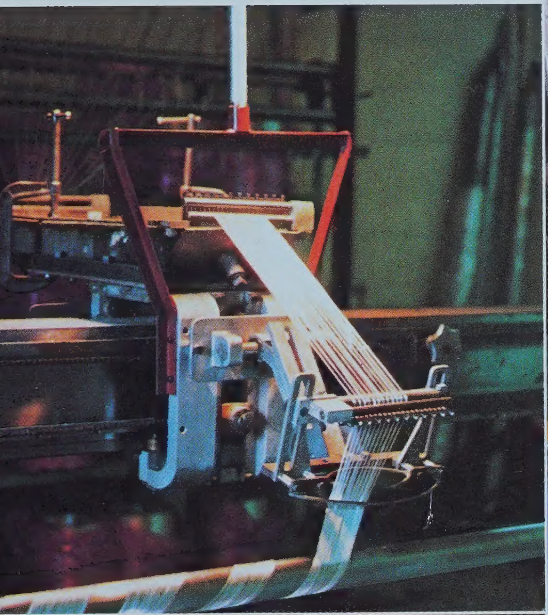
Sophisticated capital equipment used to produce fibreglass reinforced components. *(below, top)*

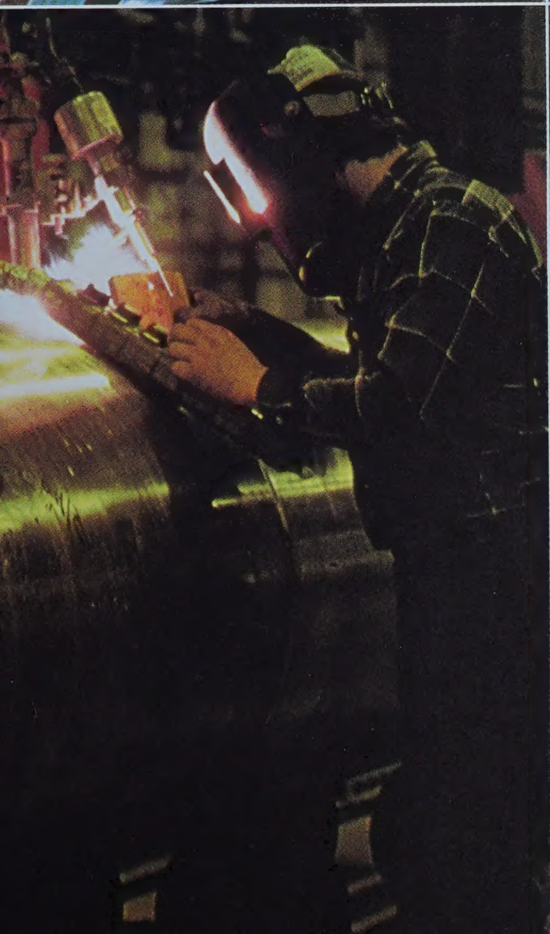
A welder joining cylindrical bus duct sections at the CGE plant in St. Augustin, Quebec. *(below, bottom)*

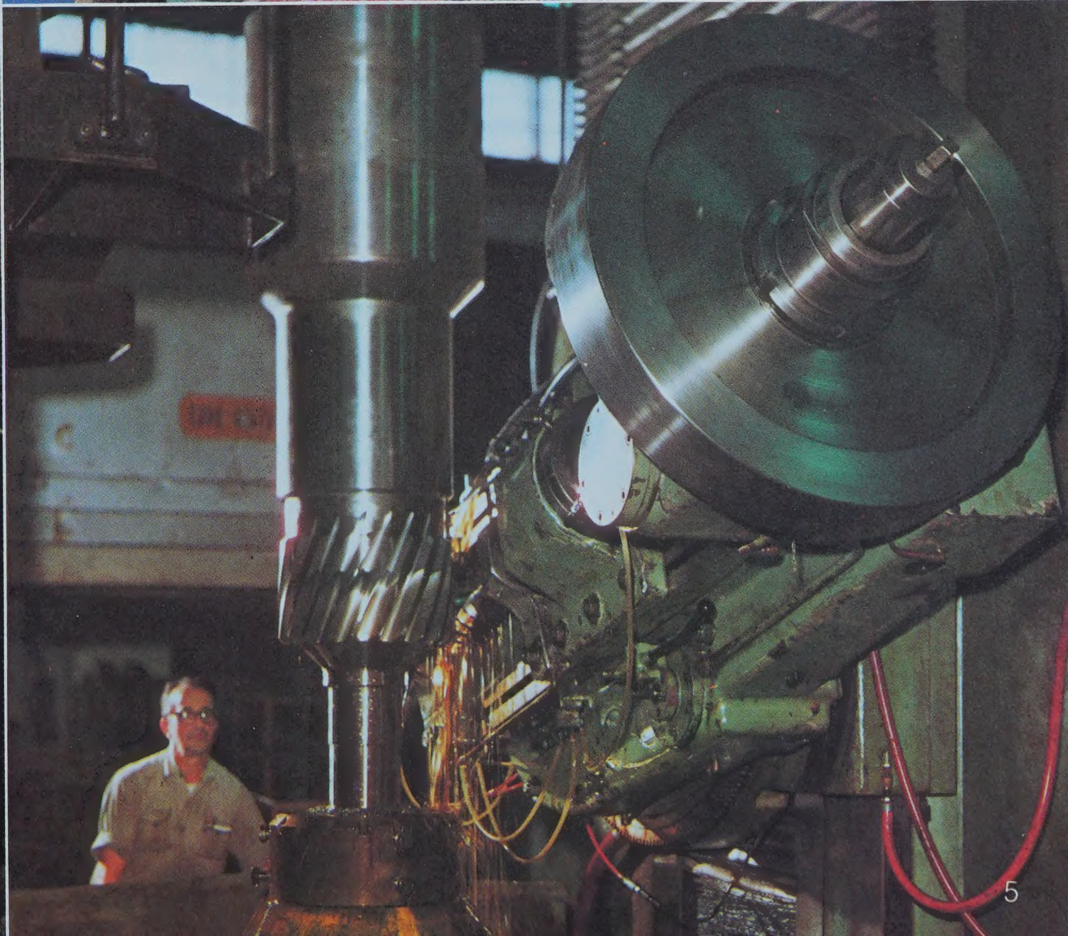
Wound stator core for one of five 9000 HP heat transport pump motors for Korea. *(top right)*

An indication of the size of the pinion being cut for a rolling mill drive ordered by Dofasco. *(bottom right)*









Apparatus and Heavy Machinery Division

The Apparatus and Heavy Machinery Division includes four operating departments responsible for the manufacture and sale of power generation and transmission equipment and electrical and mechanical equipment for industrial applications.

The major markets for the products and services of the Division are Canada's natural resource and primary manufacturing industries, electric utilities and similar customers in the international markets.

In 1978 a quickening in the industrial markets resulted in major orders from the metals and forestry products sectors. The increasing activities planned by industries in these sectors will result in a continuing high level of business in 1979. Although experiencing a slowdown in load growth, electric utilities are proceeding with reduced or stretched out programs for the expansion of power generation, transmission and distribution facilities and systems. The Division was successful in obtaining a number of significant orders for power transmission and distribution equipment.

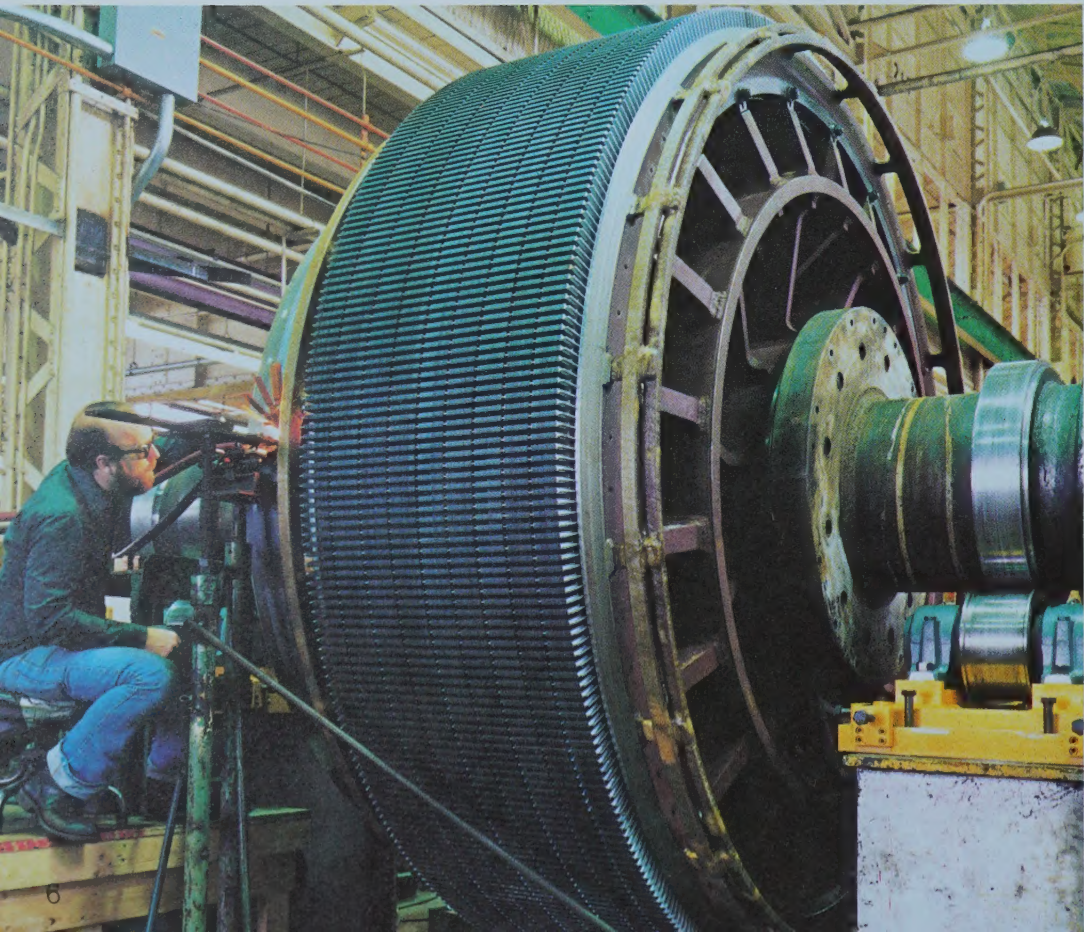
Export sales activity was strong throughout the year and several major orders were received. International business continued to provide an increasing percentage of the Division's total volume.

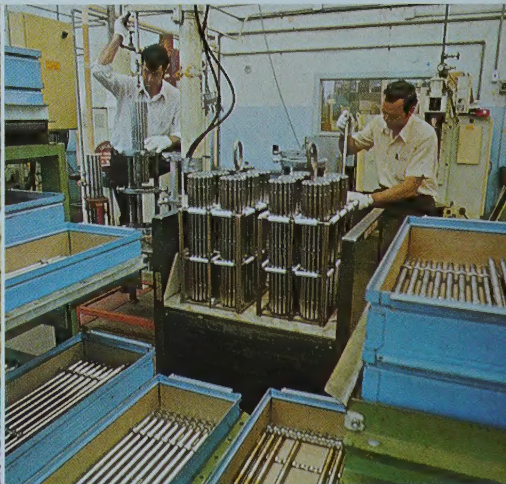
The Company maintained its position as a world leader in hydroelectric generation equipment, and was awarded a contract for the manufacture and installation of four 184 MVA hydroelectric generators and hydraulic turbines for the Tarbela project in Pakistan.

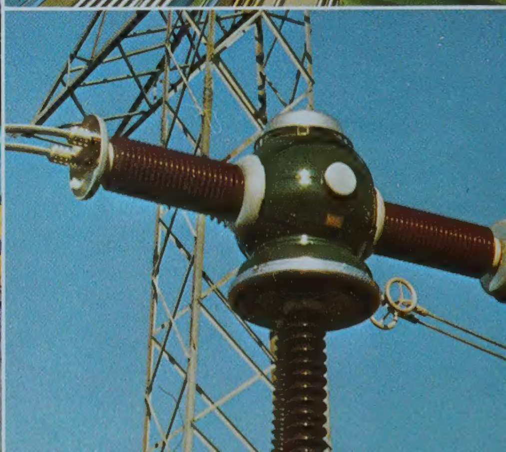
Major orders were negotiated in the United States for hoist equipment for a shale oil venture, rectifier equipment for a rubber manufacturing plant and synchronous motors for a steel mill. Other export activity in the Division resulted in orders for transformers, switchgear control systems, bus duct, motors, reactors and other equipment for major projects in Brazil, Cuba, Korea, Trinidad and the Soviet Union. Orders were received from a total of 49 countries in 1978.

Aggressive pursuit of the export market will continue to be a major thrust of the Division, capitalizing on the improved competitive situations resulting from the lower international value of the Candian dollar and the accelerating development of technology in Canada.

Dominion Engineering Works
Dominion Engineering Works Limited, a wholly-owned affiliate, is located in Lachine, Quebec. Dominion enjoys a







world-wide reputation for the manufacture of large hydraulic turbines, ore grinding mills, steel rolling mills and papermaking machinery. This reputation is supported by ongoing research and development, resulting in improved efficiencies in each new generation of equipment. Over the years, this combination has attracted significant orders and 1978 was no exception.

Among new orders booked in 1978 were two 5.2 MW Francis turbines for the Charlot River project of Eldorado Nuclear Limited. Orders for replacement runners were also received from Ontario Hydro for Whitedog and Caribou, from Hydro-Québec for Beauharnois and from Niagara Mohawk for Beebee Island. A development contract for pump turbines for Hydro-Québec's Lac Delaney and Lac Proulx project is being completed.

On the international scene, a number of important orders were received including the previously mentioned order for 178 MW Francis turbines for Pakistan, newsprint equipment for Chile, continuous steel casting equipment for Argentina and the United States, and steel mill rolling equipment for Great Britain. The Company completed installation work on a Francis turbine in India, twelve ore grinding mills in Iran and six more in Brazil. Installation work in progress includes ore grinding mills in Mexico and Francis turbines in Brazil, Pakistan (Warsak project) and the United States.

In Canada, major installations completed in 1978 included two – 72″ diameter spherical valves for Nova Scotia Power Corporation at Wreck Cove, and the commissioning of the Francis turbines, units 3 to 6, at Manitoba Hydro's Long Spruce project. Installation work continues on units 7 – 10 at this project.

To maintain competitive strength through improved productivity, Dominion Engineering continued to make major investments in new machinery and equipment. A new induction melting facility was installed to replace pulverized coal burning equipment. This new furnace provides improved foundry productivity, casting quality, fuel savings and a cleaner environment. A new 300 ton vertical boring mill will provide additional machine capacity, mainly for the hydraulic turbine and mining machinery businesses.

Industrial Apparatus

To supply the needs of industrial and commercial markets, the Industrial Apparatus Department manufactures a wide variety of alternating and direct current motors in the Peterborough and Trenton plants. These motors range in size from fractionals to multi-thousand horsepower with applications varying from residential usage to industrial installations.

The Department also produces custom designed units, including motors for utility and marine applications, generators and traction motors and control systems for diesel-electric locomotives and generators for off-highway "electric wheel" vehicles. Drive systems and process controls for metal rolling, pulp and paper and mining industries comprise another major element of Industrial Apparatus Department operations.

A large 6000 HP DC armature measuring 120″ in diameter for a mine hoist application in Northern Ontario. *(far left)*

Assembly of Pickering fuel bundles; nuclear fuel fabrication component established new production record in 1978. *(top centre)*

Air blast breaker rated 765 KV – 50KA – 4000 A installed at Hydro-Québec Boucherville substation in 1978. *(bottom, centre)*

Topping the new induction furnace in the Iron foundry installed to replace pulverized coal burning equipment. *(left)*

Export business continues to play an important role. The Department's success in the export market was highlighted by orders from the Soviet Union for large synchronous motors, from Korea for large nuclear heat transport pump motors, from the United States for paper machine drives, hoist drives and DC motors and from the United Kingdom for DC motors.

In the domestic market, the Department received orders for a hot strip mill revamp and paper machine drives for a Quebec installation. Orders were also received through Bombardier-MLW Limited for 51 sets of diesel-electric locomotive propulsion equipment for Malawi, Tanzania and the Cameroons. Sales of renewal parts reached a record level; and these orders were processed efficiently by the computerized quotation and order-processing system.

Industrial Apparatus Department continued to expand its network of apparatus service shops and improve its existing service shop facilities in 1978. The ninth apparatus service shop was opened in Calgary in March and by September was housed in a new and modern 20 000 sq. ft. service shop building. The Bathurst, New Brunswick shop was doubled in size to 18 000 sq. ft. Seven other service shops, located in Vancouver, Edmonton, Winnipeg, Burlington, Toronto, Montreal and Sept Iles provided service to customers in those areas.

The program of upgrading facilities and investing in automated equipment continued throughout 1978. One significant part of this program was the purchase of horizontal boring machines of both the floor and table types which are equipped with the latest General Electric numerical controls.

Power Delivery

The products of the Power Delivery Department include power transformers, distribution transformers, switchgear, watt-hour meters, instruments and appliance controls.

In 1978 the Department completed new product and systems developments which hold promise for growth in the immediate future. The most significant of these is the static compensator, which enables a transmission system to carry more power; and it is better, faster and more economical than any other system.

The world's first utility static compensator was designed and built by CGE and installed by Hydro-Québec at Rimouski, Quebec, in March, 1978.

The Power Circuit Breaker operation at the Peterborough Works has developed, designed and built a new and higher rated air blast breaker ATB-80 for use on extra high voltage transmission lines. The first ATB-80 breaker for a 765 KV power transmission system was installed on the Hydro-Québec power system in 1978. Other CGE ATB-80 breakers are in service at the Tennessee Valley Authority, a U.S. utility, on its 550 KV transmission system.

The Power Delivery Department continues to invest in equipment to improve productivity. At its Guelph plant it has purchased a three-dimensional computer-aided design and drafting system which mechanizes design and drafting and provides error-free information to the numerically-controlled machines in the plant. In other areas, word processors were installed to improve the quality and turn-around time of documentation.

The company's newest plant at St. Augustin, Québec, began operations with the production of generator bus duct for the James Bay hydroelectric project and distribution transformers for Hydro-Québec in 1978.

Cange Limited, the Company's first off-shore manufacturing affiliate, is located at Washington-on-Tyne in the United Kingdom. Range timers are assembled there for U.K. customers.

Approximately 17% of the orders received by the Department in 1978 were for the export market. These orders were for highly engineered equipment such as transformers, reactors, power circuit breakers, power rectifier equipment and generator exciters for a number of countries including Brazil, Cuba, the United Kingdom, the United States and the Soviet Union.

Power Generation

The products and services of the Power Generation Department include hydro-electric generators, steam turbine generator sets, nuclear fuel, nuclear fuel handling systems and apparatus technical services. Manufacturing facilities for this Department are located in Lachine, Peterborough and Toronto.

The Company's world-wide reputation in hydroelectric generation was recognized once again in December, 1978, with the receipt of the order previously referred to from the Pakistan Water and Power Development Authority for four 184 MVA hydro generators, and an order from the Great Lakes Power Corporation Limited, in Sault Ste. Marie, Canada, for the design and manufacture of three 18.2 MVA bulb-type turbine generators. These latter units will be the first bulb-type turbine generators to be designed and built in North America.

The Company demonstrated again in 1978 its leadership in the design and manufacture of hydroelectric generators when the first of three generators was commissioned at the Grand Coulee Third Powerhouse in the State of Washington. During a test in June, this unit, rated at 700 MVA, achieved an output of 815 megawatts – a record for this type of machine.

Installation work continued on the Manitoba Power Commission's 10 unit, 1150 MVA Power Station at Long Spruce on the Nelson River.

In Eastern Canada, two 111 MVA hydro-electric generators were installed at Wreck Cove for the Nova Scotia Power Corporation, and a 172 MVA unit was commissioned at the Baie d'Espoir power station of the Newfoundland and Labrador Hydro.

Efficient, continuous fuel handling systems, developed by the Company, are a major contributing factor in the exceptional performance of Canada's Candu nuclear reactors. The engineering group achieved major design achievements in 1978 that gave these systems a 15% increase in fuelling capability.

The nuclear fuel fabrication component of the Power Generation Department established new production records in 1978. To keep abreast of the demand for Candu reactor fuel, planning is being completed for a facility which will double the present capacity. The best available environmental and safety measures will be incorporated in this new plant.

The Apparatus Technical Service (ATS) Section provided a full range of installation and maintenance services on electrical and mechanical apparatus in the Canadian market. Outside of Canada's borders, it also offered a complete range of services wherever there were installations of Canadian General Electric equipment.

In 1978, ATS personnel installed hydro-electric generators north of the Arctic Circle in Sweden and industrial equipment in the equatorial climate of Indonesia, carried out maintenance and repair work on steam turbines in Puerto Rico and paper machines in New Zealand, and performed many other services on CGE manufactured equipment in other parts of the world.

Summary of significant accounting policies

The Financial Statements on pages 10-12 and the related notes on pages 13-15 are prepared on the basis of accounting principles generally accepted in Canada. As an aid in evaluating these Financial Statements, the most significant of the principles followed by Canadian General Electric Company Limited are described below.

Basis of consolidation
The Financial Statements in this report consolidate the accounts of the Company, its wholly-owned subsidiaries and the companies in which it has a majority equity interest ("affiliated companies") except the sales finance subsidiaries which have been accounted for by the equity method. The sales finance subsidiaries have not been consolidated because their financial statement components are dissimilar to those of the consolidated group and management believe that their consolidation would not provide the more informative presentation to shareholders.

All inter-company transactions and profits thereon have been eliminated in these consolidated financial statements. A list of active companies in the group is shown on this page.

Sales
Sales of products and services to customers are reported in operating results only when title to products and materials passes to the customer and when services are performed as contracted.

Pensions
Canadian General Electric and its affiliates have a number of pension plans. The most significant of these plans is the Canadian General Electric Pension Plan which uses the unit credit actuarial valuation method which assumes that a unit of pension benefit accrues in each year of credited service.

Current service costs are charged to operations as they accrue. Past service costs arising from improvements to the plans are charged to operations over varying periods which approximate the remaining service lives of the employees affected.

Investments of Canadian General Electric Pension Trust, which funds the obligations of the Canadian General Electrical Pension Plan, are carried at cost plus a programmed portion of unrealized appreciation on equities. This accounting reflects long-term market trends with the objective of adding to cost over time such amounts as will result in an average common stock book value not more than 90% of its average market value over the prior five years. There are limitations to the amount of unrealized appreciation which may be recognized at any point in time. The actuarial funding programme uses 6½% as the estimated rate of future earnings of the Trust.

Foreign currency transactions
Transactions in foreign currencies are translated at the rate of exchange in effect at the time of the transaction. Rates of exchange in effect at year-end dates are used to translate foreign currency balances, all of which are current. Exchange adjustments are included in earnings.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method for substantially all inventories and is based on the cost of material, direct labour and manufacturing overhead.

Property, plant and equipment
Plant and equipment is recorded at the original cost of land, buildings, equipment and equipment leased to others, less accumulated depreciation. The diminishing balance depreciation method is used to depreciate all plant and equipment except for leasehold improvements and certain equipment leased to third parties, which are being depreciated using the straight-line method. On major dispositions of fixed assets, the related costs and accumulated depreciation are removed from the accounts and any resultant gain or loss is included in earnings.

Oil and gas resource properties are being accounted for by the full cost method, whereby all costs related to exploration and development are capitalized and depleted by a unit-of-production method based on estimated recoverable reserves.

Expenditures for maintenance and repairs are charged to operations as incurred.

Research and development
Research and development expenditures are charged to operations as incurred.

Warranties
Provision for product warranty costs is made by a charge to operations in the year the product is sold.

Consolidated affiliate
Canadian Appliance Manufacturing Company Limited (60% equity interest)

Wholly-owned subsidiaries
Amalgamated Electric Corporation Limited
Cange Limited (United Kingdom)
Dominion Engineering Works Limited
Dominion Engineering Company Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

Non-consolidated wholly-owned subsidiaries
Genelcan Limited
  Genelcan Realty Limited

Consolidated Statement of Earnings ($000's)

For the year ended December 31	1978	1977
Sales of products and services (note 1)	$1 103 695	$1 079 727
Operating costs:		
Employee compensation, including benefits (note 2)	348 212	340 788
Materials, supplies, services and other costs	680 008	671 408
Depreciation and amortization	20 550	17 560
Taxes, other than on income	9 850	8 965
	1 058 620	1 038 721
Operating margin	45 075	41 006
Other income (note 3)	12 373	11 151
Interest and other financial charges	(6 110)	(6 448)
Earnings before income taxes and minority interest	51 338	45 709
Provision for income taxes (note 4)	16 319	14 910
Minority interest	1 407	265
Net earnings	$ 33 612	$ 30 534
Net earnings per common share	$4.11	$3.73

Consolidated Statement of Retained Earnings ($000's)

For the year ended December 31	1978	1977
Retained earnings, beginning of year	$294 003	$276 150
Net earnings	33 612	30 534
Dividends declared (note 5)	(13 089)	(12 681)
Retained earnings, end of year	$314 526	$294 003

The summary of Significant Accounting Policies on page 9 and the Notes to Financial Statements on pages 13-15 are an integral part of these statements.

Canadian General Electric Company
Limited and Consolidated Affiliates

Consolidated Statement of Financial Position ($000's)

At December 31	1978	1977
Assets		
Current assets:		
Cash	$ 4 596	$ 3 325
Short-term investments (note 6)	20 600	36 100
Current receivables (note 7)	227 260	203 498
Inventories (note 8)	262 070	238 844
Deferred income taxes	17 603	15 093
	532 129	496 860
Long-term receivables (note 9)	41 248	41 308
Long-term investments (note 10)	8 422	6 700
Property, plant and equipment (note 11)	121 387	114 675
Deferred charges (note 12)	18 674	–
Other assets	6 647	6 481
	$728 507	$666 024
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings (note 13)	$ 11 496	$ 56 816
Accounts payable (note 14)	85 785	64 040
Progress collections	90 225	70 495
Dividends payable	3 272	3 272
Taxes payable	13 421	22 820
Other liabilities and accruals (note 15)	104 110	95 208
	308 309	312 651
Deferred income taxes	10 700	(2 934)
Long-term borrowings (note 16)	33 284	3 035
Non-current accruals (note 17)	28 075	27 057
Minority interest	6 602	5 194
Shareholders' equity:		
Capital stock (note 18)	27 011	27 018
Retained earnings	314 526	294 003
Total shareholders' equity	341 537	321 021
	$728 507	$666 024

The summary of Significant Accounting Policies on page 9 and the Notes to Financial Statements on pages 13-15 are an integral part of this statement.

On behalf of the Board:
A. S. Cartwright, Director
D. W. Timmis, Director

Consolidated Statement of Changes in Financial Position ($000's)

For the year ended December 31	1978	1977
Source of funds:		
From operations	$ 71 911	$ 39 330
Disposition of plant and equipment	1 526	1 512
Increase in long-term debt	30 249	3 035
Decrease in costs recoverable under contract	–	25 097
	103 686	68 974
Application of funds:		
Increase in long-term receivables and investments	941	1 378
Property, plant and equipment additions	28 787	25 297
On merger and acquisition of appliance businesses	–	6 787
Dividends	13 089	12 681
Special pension payment (note 12)	19 225	–
Other assets and liabilities	2 033	6 181
	64 075	52 324
Net increase in working capital	39 611	16 650
Working capital at beginning of year	184 209	167 559
Working capital at end of year	$223 820	$184 209

The summary of Significant Accounting Policies on page 9 and the Notes to Financial Statements on pages 13-15 are an integral part of this statement.

Notes to financial statements

These notes amplify and explain the more significant items included in the Financial Statements on pages 10-12 and the application of accounting principles, including those specifically discussed on page 9 .

1. Sales

Comparative sales for each major category of business appear with the highlights of operations on page 1.

2. Employee compensation, including benefits

Employee compensation and benefits amounted to $348.2 million in 1978 compared with $340.8 million in 1977. The cost of benefits included $20.7 million for Company pension and life and health insurance plans and $13.4 million of Company costs for government pension, unemployment insurance, workmen's compensation, and health insurance plans.

During 1978, 19 persons served as Company directors and 25 as Company officers, including 2 who also served as directors. The aggregate 1978 remuneration to directors for their services as directors amounted to $58,590 and the aggregate 1978 remuneration to Company officers was $2,516,099.

Unfunded obligations of all pension plans in the consolidated group at January 1, 1978 were approximately $74.5 million, of which the vested portion was approximately $29.5 million. These obligations are normally funded over periods of up to 15 years in accordance with government legislation. In 1978, a special past service payment of $19.2 million was made as further referred to in note 12.

The most significant of these pension plans is the Canadian General Electric Pension Plan which is funded by the Canadian General Electric Pension Trust, condensed statements of which appear below:

Canadian General Electric Pension Trust
Condensed Operating Statement ($000's)

For the year ended December 31	1978	1977
Company current and past service contributions	$ 26 754	$ 10 115
Employee current service contributions	4 380	4 143
Dividends, interest and sundry income	16 417	12 682
Capital gains	2 408	374
Unrealized appreciation recognized	(53)	2 107
Pensions paid	(12 032)	(10 714)
	37 874	18 707
Assets transferred to other pension fund	–	(10 418)
Total assets at beginning of year	189 504	181 215
Total assets at end of year	$227 378	$189 504

Canadian General Electric Pension Trust
Condensed Statement of Financial Position ($000's)

At December 31	1978	1977
Bonds	$ 62 028	$ 55 508
Stocks	76 274	74 534
Mortgages and leasebacks	43 655	37 881
Short-term investments	41 332	29 526
	223 289	197 449
Other assets (liabilities) – net	4 089	(7 945)
	$227 378	$189 504

3. Other Income ($000's)

For the year ended December 31	1978	1977
Net earnings of sales finance subsidiaries	$ 721	$ 670
Income from:		
Royalty and technical agreements	1 261	1 592
Customer financing	743	1 768
Long-term receivables	3 201	3 179
Short-term and other investments	2 076	1 452
Disposition of property, plant and equipment	2 951	1 860
Other sources	1 420	630
	$12 373	$11 151

4. Provision for income taxes ($000's)

For the year ended December 31	1978	1977
Currently payable	$ 5 195	$30 746
Deferred	11 124	(15 836)
	$16 319	$14 910

5. Dividends declared

During the year, dividends were declared on common shares at the rate of $1.60 per share and on the special employees' preferred shares at the rate of $2.50 per share.

6. Short-term investments

Short-term investments consist of interest-bearing loans secured by commercial paper due on demand or within periods generally not exceeding 30 days.

7. Current receivables ($000's)

At December 31	1978	1977
Customers' accounts	$187 047	$176 193
Due from parent company	16 232	7 495
Due from non-consolidated subsidiaries	408	573
Progress payments to suppliers	12 567	11 297
Other receivables	11 006	7 940
	$227 260	$203 498

8. Inventories ($000's)

At December 31	1978	1977
Raw materials and work in process	$139 030	$118 879
Finished goods	109 430	105 041
Unbilled shipments	13 610	14 924
	$262 070	$238 844

Unbilled shipments represent the cost of products shipped, for installation at customers' sites, to which title has not passed.

As stated in the summary of significant accounting policies, the first-in, first-out (FIFO) method is used to determine the cost of substantially all inventories. The last-in, first-out (LIFO) method is used to determine the cost of the copper and aluminum content. Had the FIFO method been used for all inventories, these would have been greater by $3.5 million (1977 – $2.1 million).

9. Long-term receivables

Long-term receivables were discounted where appropriate at interest rates prevailing at the time of the related transactions. These discounts are amortized and credited to income over the term of such receivables.

10. Long-term investments ($000's)

At December 31	1978	1977
Investment in sales finance subsidiaries	$7 395	$5 674
Other	1 027	1 026
	$8 422	$6 700

Condensed consolidated financial statements of the sales finance subsidiaries appear below:

Genelcan Limited
Condensed consolidated statement of financial position ($000's)

At December 31	1978	1977
Assets:		
Finance receivables	$69 402	$61 520
Other assets	958	1 279
	$70 360	$62 799
Liabilities:		
Short-term	$47 965	$32 180
Long-term	15 000	24 945
	62 965	57 125
Capital stock	4 000	3 000
Retained earnings	3 395	2 674
	$70 360	$62 799

Genelcan Limited
Condensed consolidated statement of earnings ($000's)

For the year ended December 31	1978	1977
Earned income	$8 839	$7 666
Interest costs and other expenses	7 470	6 377
Earnings before income taxes	1 369	1 289
Provision for income taxes	648	619
Net earnings	$ 721	$ 670

Copies of Genelcan Limited's 1978 Annual Report may be obtained by writing to Genelcan Limited, 18 King Street East, Toronto, Ontario M5C 1C8.

11. Property, plant and equipment ($000's)

Major classes at December 31	1978	1977
Land and improvements	$ 8 357	$ 8 688
Buildings	100 407	97 778
Machinery and equipment	229 539	212 257
Leasehold improvements	1 577	1 688
Resource properties	1 052	–
	340 932	320 411

Less accumulated depreciation and amortization:		
Buildings	$ 55 460	$ 53 288
Machinery and equipment	163 339	151 924
Leasehold improvements	746	524
	219 545	205 736
Undepreciated cost at December 31	$121 387	$114 675

The depreciation rates applicable to buildings, and machinery and equipment are principally 5% and 20% respectively.

12. Deferred charges

During 1978, the Company made a special payment of $19.2 million to the Canadian General Electric Pension Trust to fund the vested portion of the unfunded pension liability. This pension cost has been deferred and will be amortized to operations over thirteen years, commencing in 1978, which approximates the remaining service lives of the employees affected.

13. Short-term borrowings

Short-term borrowings at December 31, 1978 included $9.0 million due to Canadian chartered banks compared with $54.6 million at December 31, 1977. Also included is the current portion of long-term borrowings of $1.3 million (1977 – $1.0 million).

14. Accounts payable

Accounts payable include amounts due to the parent company of $35.4 million at the end of 1978 and $23.2 million at the end of 1977.

15. Other liabilities and accruals

Other liabilities and accruals at December 31, 1978 included $23.7 million (1977 – $22.2 million) in respect of accrued employee compensation and benefits, $22.5 million (1977 – $18.4 million) in respect of accruals for warranties and $4.7 million (1977 – $4.4 million) in respect of accrued amounts due to the parent company.

16. Long-term borrowings

The company has entered into a 5 year term loan agreement with a Canadian chartered bank for $1.6 million repayable in equal annual installments of $0.3 million commencing in 1979.

The appliance affiliate, Canadian Appliance Manufacturing Company Limited, converted $30.0 million of its short-term borrowings with Canadian chartered banks to long-term. These borrowings are covered by loan agreements with the banks and are repayable in equal annual instalments of $10.0 million commencing in 1980. The borrowings are secured by a fixed charge on the appliance affiliate's real property and a first floating charge on its other assets. In addition, the affiliate has a note for $3.0 million (1977 – $4.0 million) outstanding, which is being repaid by annual instalments of $1.0 million. This note is held by a Canadian chartered bank.

Interest on long-term borrowings amounted to $5.4 million (1977 – $0.7 million).

17. Non-current accruals ($000's)

At December 31	1978	1977
Accrual for pensioners life insurance benefits	$21 666	$18 965
Accrual for certain past service pension benefits, principally vested	8 707	10 457
	30 373	29 422
Less amount due within one year included with other liabilities and accruals	2 298	2 365
	$28 075	$27 057

18. Capital stock ($000's)

At December 31	1978	1977
Common shares:		
Authorized, issued and outstanding 8,178,800 shares without nominal or par value	$26 942	$26 942
Special employees' preferred shares:		
Cumulative redeemable at par value of $50 per share. Authorized, issued and outstanding 1,377 shares (1977 – 1,522 shares)	69	76
	$27 011	$27 018

19. Contingent liabilities

The Company is contingently liable under guarantee for notes payable by its non-consolidated sales finance subsidiary, Genelcan Limited. Other contingent liabilities consist of pending litigation and claims, which, in the opinion of management, are not considered material in relation to the Company's financial position.

Report of Management to the Directors

We have prepared the accompanying consolidated statement of financial position of Canadian General Electric Company Limited and consolidated affiliates as at December 31, 1978 and 1977, and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended, including the notes to the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in Canada, as appropriate in the circumstances, and include amounts that are based on our best estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The company maintains a system of internal financial controls and procedures, supported by a corporate staff of travelling auditors and supplemented by resident auditors located at various Company locations. This system of financial controls is time-tested and responsive to change. Perhaps the most important safeguard in this system for the shareholders is the Company's long-standing emphasis placed on the selection, training and development of professional financial managers to implement and oversee the proper application of its internal controls.

The Company's independent auditors, appointed by the shareholders, provide an objective, independent review of managements' discharge of their responsibilities as they relate to the fairness of reported consolidated operating results and financial condition of the Company.

The Audit Committee of the Board of Directors is composed solely of outside directors. The shareholders' auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

The Company's management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the recording and reporting requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its domestic and international activities.

Alton Cartwright

Chairman of the Board
and Chief Executive Officer

R B Haller

Vice president – Finance
January 26, 1979

Auditors' report to the shareholders

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consoliated affiliates as at December 31, 1978 and 1977, and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and 1977, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

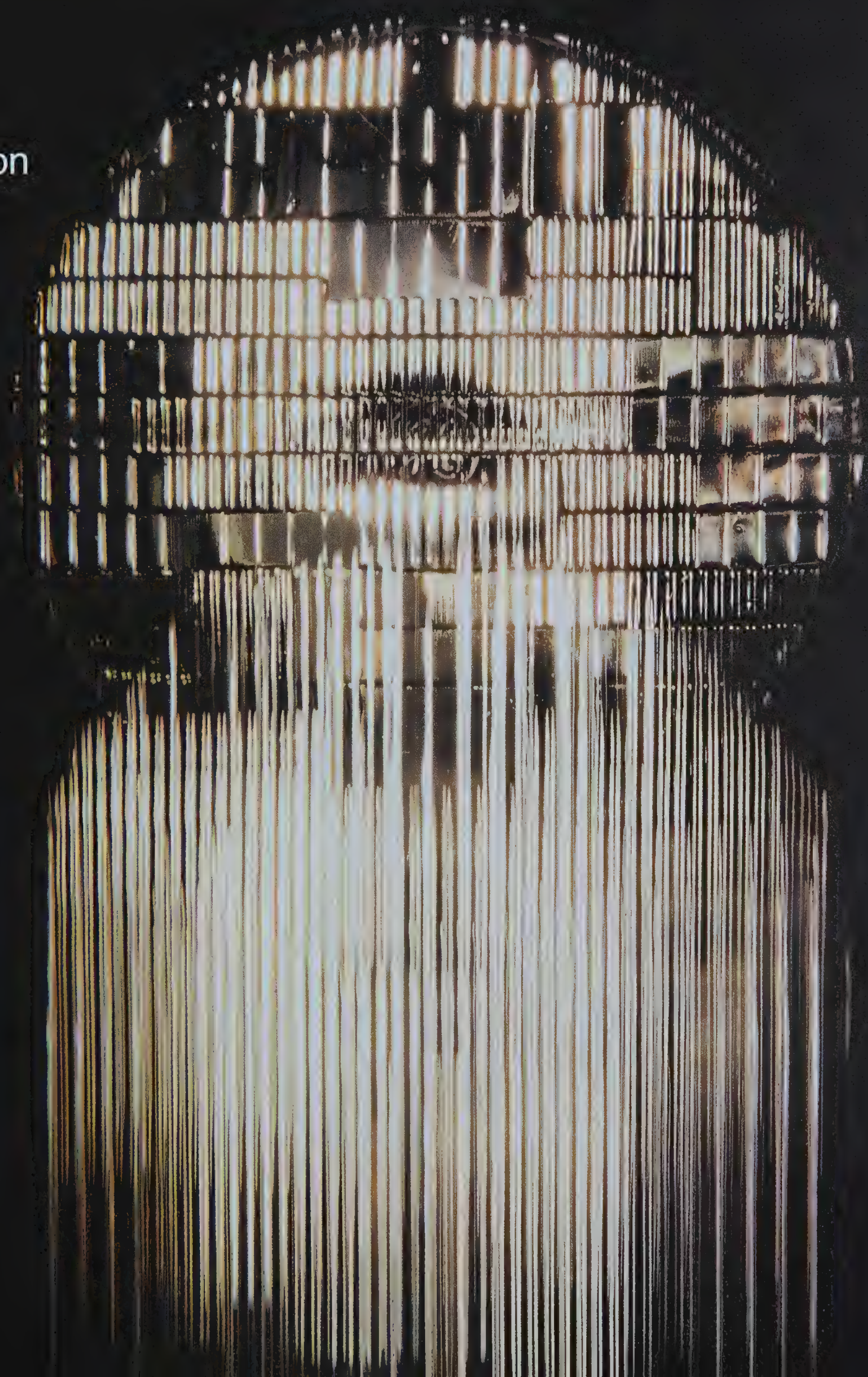
Toronto, Canada
January 26, 1979

Peat, Marwick, Mitchell & Co.

Chartered Accountants

The Consumer and Construction Products Division has five operating departments which include two affiliated companies – Amalgamated Electric Corporation Limited and Genelcom Limited. A record level of export business in 1978 included sealed beam lamps for the United States, United Kingdom and West Germany and fibreglass reinforced epoxy (FRE) duct for the Middle East.
Significant sales growth was recorded in polymers, silicones, insulation products, resins, moulded plastics, wire and cable, housewares, heat pumps and computer services.
Productivity gains and cost control continue to be emphasized. New equipment and improved scheduling have resulted in good performance in the Ballast and Wire and Cable Sections.
Developed with particular concern for the areas of energy conservation and cost reduction, new products included energy efficient ballasts, an expanded line of wiring devices, a wide range of home appliances and many new computer time-sharing programs.

Consumer & Construction Products Division



Ten year summary

(Dollar amounts in thousands, except per share amounts)	1978	1977
Sales of products and services	$1 103 695	$1 079 727
Net earnings (before extraordinary items)	33 612	30 534
Net earnings per share	4.11	3.73
Earnings as a percentage of sales	3.2%	2.9%
Market price of last sale of the year:		
Per common share	$28.00	$24.50
Dividends on common shares	$1.60	$1.55
Current assets	$532 129	$496 860
Current liabilities	308 309	312 651
Total assets	728 507	666 024
Plant and equipment additions	$28 787	$25 297
Depreciation and amortization	20 550	17 560
Provision for income, property, and capital taxes	26 169	23 875
Average number of employees	18 662	18 823

* Includes a special dividend of $1.00 per share.

1976	1975	1974	1973	1972	1971	1970	1969
427	$822 134	$709 913	$583 414	$530 174	$495 755	$489 992	$492 341
699	36 075	23 893	18 680	16 504	13 212	11 359	14 901
4.00	4.41	2.92	2.28	2.02	1.62	1.39	1.82
3.7%	4.4%	3.4%	3.2%	3.1%	2.7%	2.3%	3.0%
3.00	$24.25	$20.00	$26.50	$32.00	$28.00	$19.50	$24.50
1.40	$2.20*	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
778	$441 296	$382 615	$256 300	$233 667	$240 943	$253 379	$256 127
219	288 830	246 996	131 572	126 543	141 864	149 819	161 007
187	602 435	563 754	429 720	409 951	412 918	409 922	417 818
127	$21 094	$24 775	$14 194	$15 042	$16 712	$18 320	$40 351
739	16 840	18 491	16 481	17 241	12 615	13 374	13 849
483	34 560	24 793	21 347	20 617	14 845	14 641	17 343
512	18 789	19 193	17 890	17 583	17 950	19 789	21 268

Construction Products

The Construction Products Department manufactures Canada's largest line of electrical products for the construction industry and industrial and commercial users.

Products include wiring devices, circuit protective devices, distribution assemblies, motor control centres, general purpose control, wire and cable, ballasts and lighting fixtures, heating products and traffic control equipment.

Of considerable significance is the spectrum of new products introduced by this Department. Particularly gratifying is the widespread acceptance in the market of the CR2000 motor control centre now in its first full year of production.

A new generation of traffic control equipment, which makes extensive use of microprocessors, brings to its users the benefits of more consistent reliability and increased programming flexibility.

Among the new energy management products designed to provide optimum energy efficiency are high intensity discharge lighting systems, power saving ballasts, electric heating products and remote control wiring.

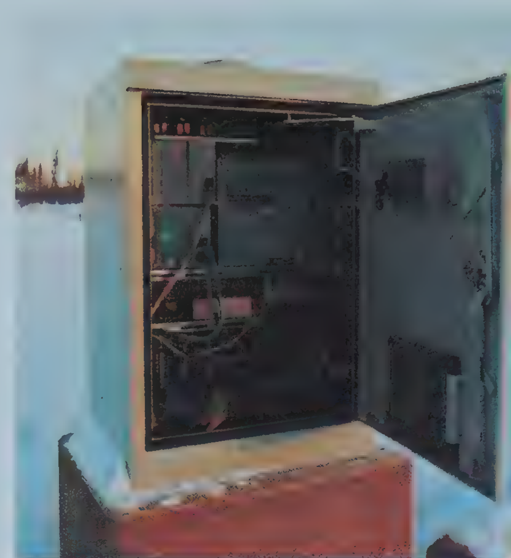
The installation of the new Lumaglow™ luminaires for low mounting applications at Ford Canada's Oakville car assembly plant gives Ford the improved lighting level required for its van inspection area. The first installation of this type in North America, it is paving the way for future growth.

Shipments for export markets during the year included motor control center equipment for Trinidad.

The Department reorganized and concentrated marketing operations with customer service receiving special attention. At the same time, improvements were made in sales coverage. The Department is continuing its efforts to reduce both product and distribution costs.

Materials and Specialty Systems

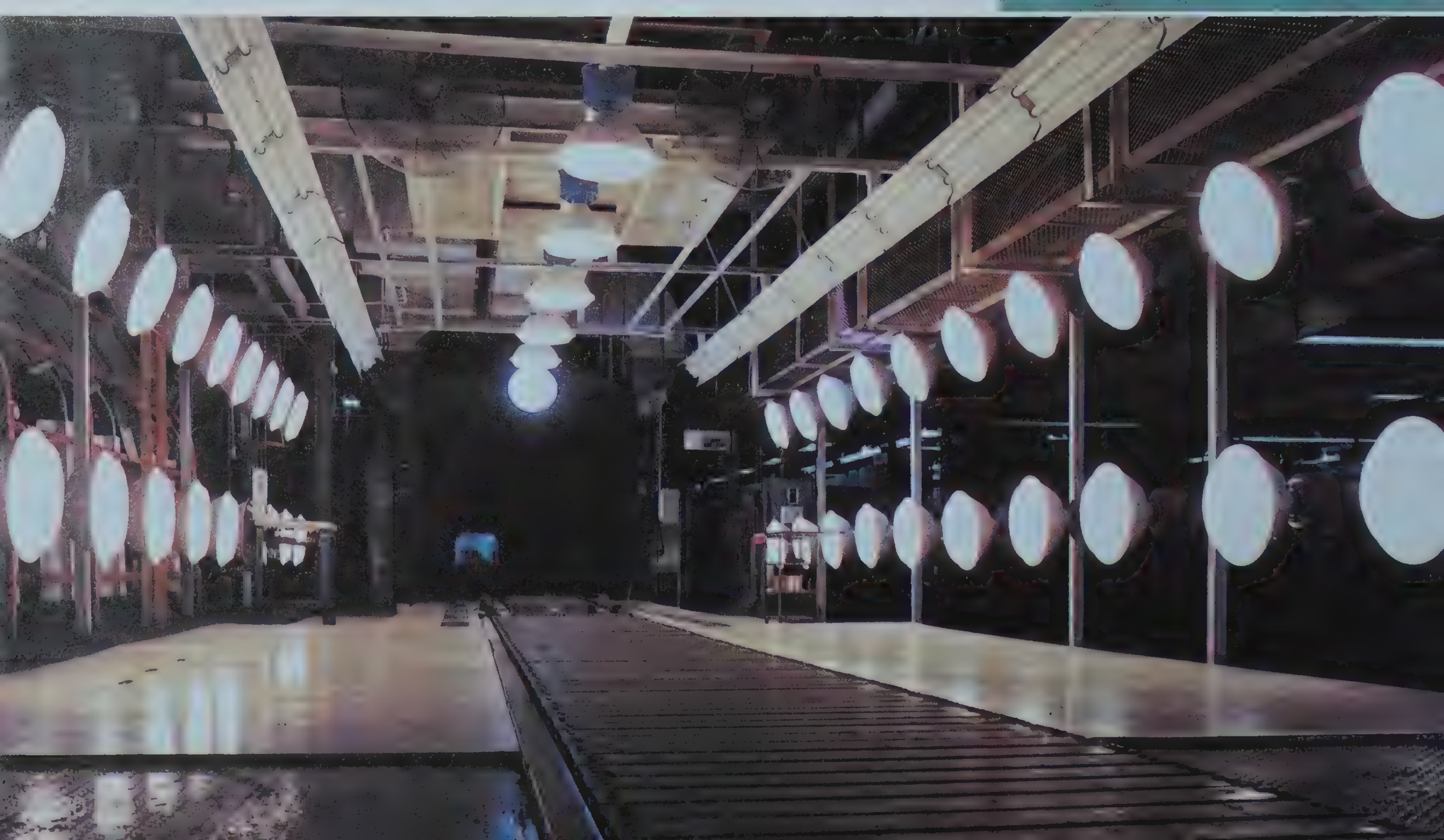
The Materials and Specialty Systems Department provides a broad range of products and services, including aircraft jet engines, silicones, Lexan® sheet,



New design micro-processor based traffic control equipment heralds a new generation of traffic controllers. *(top right)*

Parallel 5 Kilowatt television transmitter in test prior to shipment to Camp Fortune, Quebec, for CBOFT – Ottawa (CBC) *(right)*

Van-body enamel inspection area at Ford Oakville plant recently converted to CGE Lumaglow™ industrial luminaires for light without "hot spots".



engineering resins, moulded plastics, mobile radio, television broadcasting equipment and tungsten carbide tools.

MSS services include time-sharing information systems and mobile radio service.

The technological orientation of the Department is illustrated by the CoRoVo7 rocket nozzle manufactured for Bristol Aerospace Limited by the Department's moulded plastics operation at Cobourg.

Mobile Radio provides rapid-response communication capability for several police and fire departments across Canada and numerous trucking firms and taxi companies. Service technicians are available around the clock in 24 locations.

Information Services enjoyed continued success in the sale of time-sharing services and terminal units, which provide access to the most comprehensive computer network in the world – the General Electric Mark III™ computer time-sharing network.

Communications Systems introduced a new line of Canadian designed T.V. transmitters during the year. Orders from Canadian Broadcasting Corporation and from other broadcasters reflect an enthusiastic response to the quality and features of the design. From a strong leadership position on the domestic front, inroads are being made in the export market.

CGE Mobile Radio technicians operate 24 hours per day from 24 locations to serve Police, Fire, Ambulance and other customers (Photo courtesy Toronto Fire Department).

Lamps

The Lamp Department manufactures and sells to the commercial and industrial, retail, automotive and export markets a wide range of incandescent, fluorescent, high intensity discharge and photoflash lamps. Plants are located in Toronto, Montreal and Oakville.

Energy efficient products, plant equipment and investment programs and active export sales highlighted activities of this Department during the past year. The Lamp Department again responded to customer needs for energy saving products with the introduction of 75 watt Shadow Ban® lamps and more efficient Watt-Miser II™ fluorescent lamps.

The Department continues to upgrade its operation with significant investments in equipment for productivity improvements and introductions of new products, such as Flipflash™ photographic flash units.

Increased penetration was again achieved in export markets. An all-time record level of exports to more than 30 countries helped significantly to offset the soft domestic market.

In production at Oakville, 75 Watt Shadow Ban® lamps are yet another CGE response to growing needs for energy-saving products.

All new water-wheel humidifiers provide superior moisturizing capability, quietly, dependably and automatically with built-in humidistat. *(below, top)* Production line for new Toast-R-Oven™ toaster/broiler which registered record sales growth during the past year. *(below, bottom)*

Housewares and Home Entertainment

The products of the Housewares and Home Entertainment Department include portable kitchen appliances, personal and home care products, audio equipment including walkie-talkie and tape recorders, and central air-conditioning equipment.

Television products were available until mid-1978 when the manufacture and distribution of the General Electric brand T.V. was discontinued in Canada. Service and parts availability will continue to provide consumers with service on existing television sets.

Central Air Conditioning continued to expand operations; sales accelerated rapidly during the year because of the introduction of the new line of efficient residential Weathertron® III heat pumps.

Housewares registered a record year of sales growth based on major promotional programs and the introduction of new products such as a slow cooker with automatic temperature shifts, two new turbo hair dryers, a new Toast-R-Oven™ toaster/broiler line, new Home Sentry™ smoke alarms, a new line of food processors and two new water-wheel design humidifiers.

Audio Products introduced several improved products in walkie-talkie and tape recorders which generated significant sales growth.

For the third year in a row, emphasis was maintained on expenditures for factory processes and other programs which produced higher levels of quality and productivity.

Gescan

Gescan Department, the Company's electrical supplies distributor, sells approximately 50 000 items sourced from the Company's manufacturing departments and over 100 other manufacturers. As a major distributor of electrical supplies, Gescan provides a single local source for customers in the construction, industrial, commercial, utility, government and other markets.

With the opening of the new facilities at Charlottetown, Prince Edward Island in October, Gescan is located in every province in Canada, providing easy access to electrical supplies for most users. The fourth distribution facility in New Brunswick was opened at Bathurst in November.

With an extensive capability to supply products for maintenance and all sizes of construction projects, Gescan was a prime supplier to major projects in every province including the relighting of the Canadian National station in Montreal, Eaton Place in Winnipeg, the Regional Taxation Centre in St. John's, Newfoundland, the University of Alberta Agriculture and Forestry Centre and the University of British Columbia Acute Care Hospital.

Counter service facility at Toronto warehouse. Similar facilities at other locations across Canada.

In addition to serving the domestic construction market, Gescan has been active in using its skills to supply off-shore construction projects. One such project was the Tenasa 2 Cement Plant in Indonesia, on which Gescan and the Apparatus and Heavy Machinery Sales Department co-operated to provide a complete package of electrical equipment, supplies and services.

Gescan has made investments in programs and systems to improve productivity and to provide fast, efficient service to its customers. During 1978, the computerized, on-line, order, requisition and data entry (Olorde) system was established successfully in major locations across Canada.

Gescan has implemented a variety of training programs to help make its sales people knowledgeable and efficient. The sales training and education program (Step I) continued to play a key role in training sales and customer service personnel.

Genelcan Limited

Genelcan Limited, the financial and leasing services affiliate of Canadian General Electric, provided over $46 million during the year to numerous Canadian business enterprises for the acquisition of equipment and working capital to expand and diversify.

Genelcan has eight branches located in major cities across Canada to provide funding and leasing services to distributors and users of equipment in the transportation, manufacturing, construction and resource industries.

Through its real estate division, Genelcan provides funds to develop raw land to fully serviced building lots and for mortgage financing of both residential and commercial properties.

New business written by all Genelcan divisions increased by 14% during the year; and earnings on assets, by 12%. The Industrial Division achieved the greatest improvement in operations with expanded activity in the transportation, machine tool and resource industries contributing a 59% increase. By contrast, activity in the construction equipment market was weak, and the Real Estate Division's new business declined 37%.

Genelcan continues to diversify its financial and leasing services to provide new and innovative plans for Canadian business financing requirements. The Commercial Loan Division, established during the year, offers custom designed financial packages to meet present and potential funding needs of a broad range of customers.

Five major increases in the cost of money were experienced during the year. The weakening in money demand prevented Genelcan from recovering many of these cost increases in the prices of its services.

Canadian Appliance Manufacturing Company Limited

The Company's affiliate, Canadian Appliance Manufacturing Company Limited, formed in 1977 through the merger of the major appliance operations of GSW Limited, CGE and Westinghouse Canada, had a successful year. Further progress has been made toward attaining the objectives established at the formation of the Company.

Product and plant rationalization continued with consolidation of product lines and particular models of high volume lines in the most appropriate plant locations. These changes have resulted in reduced costs and increased productivity.

An example of the several programs in this area was the rationalization of the dishwasher production at the Hamilton plant, which developed significant cost improvements. These cost improvements plus increasing acceptance of the Company's dishwasher designs contributed to a successful year.

Encouraging progress has also been made in physical distribution. Rationalization of the warehousing systems across Canada, through consolidation, has resulted in important cost improvements. In the face of the high cost of transporting and warehousing major appliances, and ever-increasing transportation rates, this rationalization program is of high importance in the drive to improve overall costs.

The three product service operations of the affiliate have been integrated under a single management team with a common financial control system. Field service operations have been consolidated in several locations with improved control over operations. These programs have begun to show significant productivity improvements, while at the same time improving the level of service offered to consumers.

Early in the year this affiliate reorganized its management structure to increase emphasis on rationalization programs and product costs, but preserving separate brand management.

1978 was a breakthrough year for sales of these dishwashers produced in the Hamilton plant.

Management

Canadian General Electric
Company Limited

Chief Executive Officer

Alton S. Cartwright
Chairman of the Board

Operations

William R.C. Blundell*
VP and Division Executive
Apparatus and Heavy Machinery Division

L. Robert Douglas
VP and General Manager
Apparatus and Heavy Machinery Sales Department

Max Drouin
VP and General Manager
Dominion Engineering Works

Walter R. Fell
VP and General Manager
Power Generation Department

Merritt E. Gordon
VP and General Manager
Industrial Apparatus Department

D. Forrest Rankine**
VP and General Manager
Power Delivery Department

Robert T.E. Gillespie
VP and Division Executive
Consumer and Construction Products Division

Russell M. Baranowski
VP and General Manager
Housewares and Home Entertainment Department

Harold C. Dickout
General Manager
GESCAN Department

Richard T. Martin
VP and General Manager
Construction Products Department

Walter E. Noble
VP and General Manager
Materials and Specialty Systems Department

Robert Story
VP and General Manager
Lamp Department

Corporate

Douglas R. Brown
VP – Human Resources Project

Victor L. Clarke
VP and Corporate Executive
Corporate Strategic Planning and Development

David F. Abel
VP – Corporate Strategic Planning and Review

Francis Moskal
VP – Corporate Manufacturing Planning and Review

Ivan R. Feltham, Q.C.
VP – External Affairs, General Counsel and Secretary

Kenneth L. Broe
VP – Western Canada

Robert N. Fournier
VP – Corporate Customer Relations

Archibald F. Johnston
VP – Public Affairs and Government Relations

Carl B. Haller
VP – Finance

William J. Briggs
VP and Treasurer

V. Gerold Stafl
VP and Comptroller

Harry W. Johnson
VP – Corporate Employee Relations

William D. Rooney
VP – International Projects

Effective February 1, 1979, President and Chief Executive Officer of Canadian Appliance Manufacturing Company Limited.

**Effective March 1, Division Executive, Apparatus and Heavy Machinery Division.*

Directors

Canadian General Electric
Company Limited

John F. Burlingame
Senior Vice President and Sector Executive International Sector, General Electric Company, Fairfield, Connecticut

Alton S. Cartwright
Chairman of the Board and Chief Executive Officer Canadian General Electric Company Limited Toronto, Ontario

Stanley C. Gault
Senior Vice President and Sector Executive Industrial Products and Components Sector General Electric Company Fairfield, Connecticut

Robert B. Kurtz
Senior Vice President Corporate Production and Operating Services General Electric Company Fairfield, Connecticut

Hon. Maurice Lamontagne, P.C.
Member of the Senate of Canada, Ottawa

Dr. H. Ian Macdonald
President York University Toronto, Ontario

William F. McLean
Chairman of the Board and Chief Executive Officer Canada Packers Limited Toronto, Ontario

MacKenzie McMurray
Corporate Director Montreal, Quebec

Maxwell C.G. Meighen, O.B.E.
Chairman of the Board Canadian General Investments Limited Toronto, Ontario

Denis W. Timmis
President and Chief Executive Officer Sandwell and Company Limited Vancouver, British Columbia

Antoine Turmel
Chairman of the Board and Chief Executive Officer Provigo Inc., Montreal, Quebec

Dr. Thomas A. Vanderslice
Senior Vice President and Sector Executive Power Systems Sector General Electric Company Fairfield, Connecticut

Walter G. Ward
Chairman of the Board The Algoma Steel Corporation, Limited Toronto, Ontario

Alva O. Way
Senior Vice President – Finance General Electric Company Fairfield, Connecticut

Dr. John F. Welch
Senior Vice President and Sector Executive Consumer Products and Services Sector General Electric Company Fairfield, Connecticut

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Corporate Headquarters
Commerce Court North
25 King Street West, Toronto, Ontario

Mailing Address:
P.O. Box 417, Commerce Court North
Toronto, Ontario M5L 1J2

Auditors
Peat, Marwick, Mitchell & Co., Toronto, Ontario

Transfer Agent and Registrar
National Trust Company, Limited, Toronto, Ontario

Wholly-owned subsidiaries
Amalgamated Electric Corporation, Limited
Cange Limited
Dominion Engineering Company Limited
Dominion Engineering Works Limited
Genelcan Limited
  Genelcan Realty Limited
Genelcom Limited
Montreal Armature Company Limited
W. L. Stevens Ltd.

Consolidated affiliate
Canadian Appliance Manufacturing Company Limited

Canadian General Electric

PROGRESS FOR PEOPLE

CANADIAN GENERAL ELECTRIC COMPANY LIMITED

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